

Review of Superfund Special Account Reclassifications, Transfers to the Superfund Trust Fund, and Account Closures for Fiscal Years 2009 and 2010

I. INTRODUCTION

As part of the 2010 Federal Managers' Financial Integrity Act (FMFIA) process, the Office of Superfund Remediation and Technology Innovation (OSRTI) proposed conducting a review to ensure that regional offices carried out planned special account reclassifications, transfers of special account receipts to the general portion of the Superfund Trust Fund, and account closures. The management, oversight, and completion of these activities was identified by the OIG's March 2009 report, *Improved Management of Superfund Special Accounts Will Make More Funds Available for Clean-ups*, as an area needing improvement. In FY 2009 and FY 2010, the Special Accounts Senior Management Committee has taken steps to ensure these actions are monitored and completed. OSRTI evaluated the accomplishment of reclassifications, transfers to the Trust Fund, and account closures against what was planned in the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) for FY 2009 and FY 2010. For those actions that were not accomplished in FY 2009 and FY 2010, OSRTI identified why those actions did not occur based on the available planning data and information from regions. The following is OSRTI's analysis and findings of this data.

II. BACKGROUND

The release of the 2008 CERCLIS Special Account Management planning screen allowed comprehensive planning for the use of special accounts in a systematic manner, including planning for reclassifications, transfers to the Trust Fund, and account closures in accordance with guidance. CERCLIS planning data for special accounts is updated on a continual basis by the regions as site conditions change, but at a minimum are updated during summer beginning of year work planning, final beginning of year work planning data entry, and mid-year reviews. The planning data used for this analysis was from the summer beginning of year work planning, final beginning of year work planning data entry, and mid-year pulls for FY 2009 and FY 2010.

III. RECLASSIFICATIONS

Number of Accounts

The number of completed special account reclassifications improved significantly in FY 2010 as compared to FY 2009; more than double the number of accounts completed reclassifications in FY 2010 (41 accounts) than were completed in FY 2009 (19 accounts) (see Figure 1). However, at the end of FY 2010 there were 34 accounts where reclassifications were not completed. The

number of accounts where the reclassification was not completed because future work was identified did not change significantly from FY 2009 (6 accounts) to FY 2010 (10 accounts). A small percentage of the reclassifications planned were not completed because they were instead transferred to the Trust Fund, due either to not enough appropriated funds expended to justify reclassification, or such a small amount was identified for reclassification that it was a more efficient use of time and effort to transfer those funds to the Trust Fund. Of the 34 accounts where reclassifications were not completed in FY 2010, 20 accounts have been moved to future fiscal years. While there have been improvements in completing reclassifications over the past two years, all reclassifications are not completed as originally planned.

Figure 1. Planned and Actual Number of Accounts with Reclassifications

		Planned but Not Completed					Completed		
Fiscal Year	Total Planned	Future work	Changed to TF Transfer	Moved to Future FY	Plans Not Updated	Total Not Completed	Completed as Planned	Completed – Not Planned	Total Completed
2009	57	6 (10%)	2 (3%)	33 (56%)	0 (0%)	41 (69%)	18 (31%)	1	19
2010	73	10 (13%)	4 (5%)	20 (26%)	0 (0%)	34 (45%)	41 (55%)	0	41

Reclassification Amounts

Regions planned to reclassify \$29.0M at the beginning of FY 2009 and accomplished almost half that amount (\$14.4M) by the end of FY 2009. The average amount planned for reclassification per account was less than \$670K, while the actual amount reclassified averaged \$758K (see Figure 2).

In FY 2010, regions planned to reclassify \$43.1M at the beginning of the year and accomplished more than half that amount (\$26.2M) by the end of FY 2010. The average amount planned for reclassification per account was less than \$620K, while the actual amount reclassified averaged \$640K.

The total reclassified from FY 2009 to FY 2010 almost doubled in both dollars and number of accounts, while the average amount per reclassification decreased.

Figure 2. Planned and Actual Amounts Reclassified in FY 2009 and FY 2010

	Plans			Completed
	Fall WKP	Spring MYs	Summer WKP	EOY Actuals
FY 2009				
Total	\$29.0M	\$27.4M	\$18.3M	\$14.4M
Average	\$617.2K	\$668.8K	\$652.8K	\$757.5K
FY 2010				
Total	\$43.1M	\$29.6M	\$19.5M	\$26.2M
Average	\$615.2K	\$559.0K	\$607.8K	\$639.7K

The larger the dollar amount to be reclassified, in general the more difficult and time consuming the reclassification process is due to a larger number of lines of accounting to be changed. Figure 3 depicts the planned and actual number of accounts and amounts reclassified by the amount reclassified per account.

For approximately one-third of the accounts (6 accounts, 32%) with funds actually reclassified in FY 2009, the amount reclassified per account was less than \$500K. However, in FY 2010, approximately two-thirds of the accounts (28 accounts, 68%) with actual reclassifications were for amounts less than \$500K. The data indicates that the focus in FY 2009 was on higher dollar reclassifications and in FY 2010 more reclassifications of smaller dollar values were completed.

Looking at the data further, 46% of accounts (19 accounts) completed reclassifications that were for \$200K or less in FY 2010; those transactions represented 5% of all funds reclassified in FY 2010.

**Figure 3. Planned and Actual Number of Accounts and Amounts Reclassified by
Reclassification Amount**

FY	Amt Reclassified	Plans			Completed
		Fall WKP # accounts \$ amount	Spring MYs # accounts \$ amount	Summer WKP # accounts \$ amount	EOY Actuals # accounts \$ amount
2009	All	47 \$29.0M	41 \$27.4M	28 \$18.3M	19 \$14.4M
	>\$500K	23 (49%) \$24.7M (85%)	21 (51%) \$24.8M (91%)	14 (50%) \$16.8M (92%)	13 (68%) \$13.3M (92%)
	<\$500K	24 (51%) \$4.3M (15%)	20 (49%) \$2.6M (9%)	14 (50%) \$1.4M (8%)	6 (32%) \$1.1M (8%)
	<\$200K	14 (30%) \$1.2M (4%)	15 (37%) \$1.2M (4%)	12 (43%) \$953K (5%)	3 (16%) \$294K (2%)
	<\$100K	8 (17%) \$341K (1%)	9 (22%) \$354K (1%)	7 (25%) \$303K (2%)	2 (11%) \$115K (1%)
2010	All	70 \$43.1M	53 \$29.6M	32 \$19.5M	41 \$26.2M
	>\$500K	29 (41%) \$37.1M (86%)	16 (30%) \$23.5M (79%)	9 (28%) \$15.7M (81%)	13 (32%) \$21.2M (81%)
	<\$500K	41 (59%) \$5.9M (14%)	37 (70%) \$6.1M (21%)	23 (72%) \$3.8M (19%)	28 (68%) \$5.0M (19%)
	<\$200K	28 (40%) \$1.8M (4%)	24 (45%) \$1.5M (5%)	16 (50%) \$1.2M (6%)	19 (46%) \$1.4M (5%)
	<\$100K	20 (29%) \$765K (2%)	18 (34%) \$724K (2%)	10 (31%) \$439K (2%)	12 (29%) \$483K (2%)

IV. TRANSFERS TO THE TRUST FUND

Number of Accounts

For the purposes of this analysis, transfers to the Trust Fund include both receipts and interest made available for future appropriation by Congress, unless noted otherwise.

In FY 2010, the number of accounts completing planned transfers to the Trust Fund (23 accounts) almost tripled as compared to FY 2009 (8 accounts) (see Figure 4). Accounts completing transfers that were not planned in CERCLIS increased in FY 2010, and is largely due to funds first being reclassified, and upon closeout remaining funds in the account being transferred or the interest liability reduced in order to close the account. In FY 2009, 32% of planned transfers were changed to a reclassification compared to 4% in FY 2010. This change indicates a better understanding of the hierarchy for use of special account funds and the importance of making funds immediately available for use at other sites through reclassification

rather than placing them in the Trust Fund until further appropriation by Congress.¹ While in FY 2010 all plans to transfer funds to the Trust Fund were not completed, 45% of actions planned were completed which is much improved from 20% in FY 2009. However, the number of planned transfers that were not completed in FY 2010 and moved to a future fiscal year (18 accounts) increased compared to FY 2009 actions not completed and moved to a future fiscal year (12 accounts).

Figure 4. Planned and Actual Number of Accounts with Transfers to the Trust Fund

Fiscal Year	Total Planned	Planned but Not Completed					Completed		
		Future work	Changed to Reclass	Moved to Future FY	Plans Not Updated	Total Not Completed	Completed as Planned	Completed – Not Planned	Total Completed
2009	41	8 (20%)	13 (32%)	12 (29%)	0 (0%)	33 (80%)	8 (20%)	5	13
2010	51	8 (16%)	2 (4%)	18 (35%)	0 (0%)	28 (55%)	23 (45%)	12	35

Trust Fund Transfer Amounts

In FY 2009, less than half the amount planned for transfer to the Trust Fund at the beginning of the fiscal year (\$22.1M) was accomplished by the end of the fiscal year (\$9.5M) (see Figure 5). In FY 2010, slightly more than two-thirds of the amount planned for transfer to the Trust Fund at the beginning of the fiscal year (\$3.5M) was accomplished by the end of the fiscal year (\$2.5M). The average amount planned for transfer to the Trust Fund per account in FY 2009 was less than \$881K, while in FY 2010 the average amount planned for transfer to the Trust Fund per account decreased to less than \$200K. In FY 2009, 93% of the total receipts transferred to the Trust Fund were in 3 accounts, which resulted in an increase to the average receipts transferred per account in FY 2009. In FY 2010, the average receipts transferred to the Trust Fund was \$148K, compared to \$1.2M in FY 2009.

Figure 5. Planned and Actual Amounts Transferred to the Trust Fund in FY 2009 and FY 2010

	Plans			Completed
	Fall WKP	Spring MYs	Summer WKP	EOY Actuals (Receipts Only)
FY 2009				
Total	\$22.1M	\$18.5M	\$15.1M	\$9.5M
Average	\$692.1K	\$880.6K	\$795.4K	\$1.2M
FY 2010				
Total	\$3.5M	\$3.9M	\$4.3M	\$2.5M
Average	\$114.0K	\$124.2K	\$196.4K	\$147.6K

¹ The “Guidance on the Planning and Use of Special Account Funds” (September 28, 2010) outlines the hierarchy for using special account funds. The guidance can be found at <http://www.epa.gov/compliance/resources/policies/cleanup/superfund/plan-use-specacct.pdf>

Transfers to the Trust Fund generally tend to be smaller amounts because, in accordance with the special account use hierarchy, funds should be considered for reclassification prior to transferring them to the Trust Fund. As depicted in Figure 6, in FY 2009, 4 accounts were responsible for 99% of the total receipts transferred. In FY 2010, 2 accounts were responsible for 59% of the total amount transferred.

Seventy-six percent (76%) of receipts transferred to the Trust Fund in FY 2010 were for amounts less than \$200K per account, and accounted for 18% of the total receipts transferred. The data suggests that in FY 2010, generally smaller amounts were transferred to the Trust Fund per account as compared to FY 2009.

Figure 6. Planned and Actual Number of Accounts and Amounts Transferred to the Trust Fund by Amount

FY	Amt Transferred	Plans			Completed
		Fall WKP # accounts \$ amount	Spring MYs # accounts \$ amount	Summer WKP # accounts \$ amount	EOY Actual Receipts # accounts \$ amount
2009	All	32 \$22.1M	21 \$18.5M	19 \$15.1M	8 \$9.5M
	>\$500K	9 (28%) \$20.7M (93%)	6 (29%) \$17.2M (93%)	6 (32%) \$14.3M (95%)	4 (50%) \$9.4M (99%)
	<\$500K	23 (72%) \$1.5M (7%)	15 (71%) \$1.3M (7%)	13 (68%) \$811K (5%)	4 (50%) \$114K (1%)
	<\$200K	22 (69%) \$1.2M (5%)	13 (62%) \$526K (3%)	12 (63%) \$351K (2%)	4 (50%) \$114K (1%)
	<\$100K	16 (50%) \$300K (1%)	11 (52%) \$231K (1%)	11 (58%) \$205K (1%)	4 (50%) \$114K (1%)
2010	All	31 \$3.5M	36 \$7.8M	22 \$4.3M	17 \$2.5M
	>\$500K	2 (6%) \$1.9M (53%)	5 (14%) \$5.1M (65%)	3 (14%) \$2.7M (62%)	2 (12%) \$1.5M (59%)
	<\$500K	29 (94%) \$1.6M (47%)	31 (86%) \$2.7M (35%)	19 (86%) \$1.7M (38%)	15 (88%) \$1.0M (41%)
	<\$200K	27 (87%) \$702K (20%)	26 (72%) \$888K (11%)	16 (73%) \$625K (14%)	13 (76%) \$458K (18%)
	<\$100K	24 (77%) \$355K (10%)	22 (61%) \$318K (4%)	14 (64%) \$311K (7%)	11 (65%) \$176K (7%)

V. ACCOUNT CLOSEOUTS

The number of completed planned account closures in FY 2010 (28 accounts) more than tripled as compared to FY 2009 (9 accounts) (see Figure 7). There was an increase from FY 2009 (3 accounts) to FY 2010 (10 accounts) for the number of accounts closed where a planned closure date was not entered in CERCLIS. Some of these accounts may have had their closure in

process at the end of the fiscal year, but the actual closure did not take place until the following fiscal year. Because the closure was in process, the planned account closure date was not updated, leading to a small percentage of accounts with their account closure planning dates not updated in CERCLIS. Unplanned account closures may also indicate that the CERCLIS planning screens are not being consistently used to identify accounts ready for closure.

In FY 2009, 11 accounts that had initially been planned for closure were not closed due to the identification of future work at the site and/or additional deposits. In FY 2010, 18 accounts had identified future site work and/or additional deposits. In FY 2010, 26% of planned account closures were moved to future fiscal years, which is significantly less than the 60% moved to future fiscal years in FY 2009. While there has been some improvement in completing planned account closures from FY 2009 (17%) to FY 2010 (42%), there are some concerns with identifying accounts that may be ready for closure in a given fiscal year and completing those closures.

Figure 7. Number of Planned and Actual Account Closures

		Planned but Not Completed				Completed		
Fiscal Year	Total Planned	Future work	Moved to Future FY	Plans Not Updated	Total Not Completed	Completed	Completed – Not Planned	Total Completed
2009	54	11 (20%)	32 (60%)	2 (4%)	45 (83%)	9 (17%)	3	12
2010	67	18 (27%)	18 (26%)	3 (4%)	39 (58%)	28 (42%)	10	38

VI. COMBINATION RECLASSIFICATIONS, TRANSFERS TO THE TRUST FUND, AND ACCOUNT CLOSURES

Of the 19 accounts with reclassifications completed in FY 2009, 7 of those accounts also transferred resources to the Trust Fund in FY 2009 (including accounts with interest only), and 6 accounts were closed that both reclassified and transferred funds to the Trust Fund. In FY 2009, 6 accounts did not reclassify funds but did transfer resources to the Trust Fund, and all of those were subsequently closed.

Of the 41 accounts with reclassifications completed in FY 2010, 17 of those accounts also transferred resources to the Trust Fund in FY 2010 (including accounts with interest only), and 14 accounts were subsequently closed that both reclassified and transferred funds to the Trust Fund. In FY 2010, 18 accounts did not reclassify funds but did transfer resources to the Trust Fund, and 15 of those were subsequently closed.

Figure 8 depicts the number of accounts that had one action (e.g., reclassification only), two actions (e.g., reclassification and transfer to the Trust Fund), or three actions (i.e., reclassification, transfer, and closeout) associated with it.

Figure 8. Number of Accounts by Action(s)

	1 action	2 actions	3 actions	Total
Reclass				
FY 2009	12	1	6	19
FY 2010	24	3	14	41
TF Transfer				
FY 2009	0	7	6	13
FY 2010	3	18	14	35
Closeout				
FY 2009	0	6	6	12
FY 2010	3	21	14	38

VII. CONCLUSIONS & RECOMMENDATIONS

Planning for special account reclassifications, transfers to the Trust Fund, and account closures has improved since data entry in the fall of 2008. The total number of accounts and dollar amounts reclassified and transferred to the Trust Fund, and accounts closed, increased from FY 2009 to FY 2010. However, all planned actions were not completed in the fiscal year they were originally planned, and in FY 2010, 26% of reclassifications, 35% of transfers to the Trust Fund, and 26% of account closures were moved to FY 2011 to be completed as they could not be completed in FY 2010. In FY 2010, more accounts combined more than one of these actions (i.e., reclassification, transfer, and closeout all occurring for one account) than in FY 2009, perhaps a result of Headquarters clarifying that one notification memo for these actions could be submitted for each account rather than multiple memos for each action.

The average amount reclassified and transferred per account declined in FY 2010. As a result, more actions were completed but were on average for smaller amounts. This analysis supports recommending to the Special Accounts Senior Management Committee a threshold of \$200K to require notification to HQ of reclassifications and transfers to the Trust Fund. A threshold of \$200K will significantly reduce the number of notification memos regions are required to write but allow HQ to ensure appropriate application of guidance for the majority of funds identified for reclassification and transfer (see Figure 9). The recommendation of establishing a threshold for HQ notification has also been supported by the regions as a way to streamline the

reclassification, Trust Fund transfer, and closeout processes so that these actions can be more efficiently processed.

Figure 9. Number of Accounts and Sum of Amounts for Actions \$200K or Less

	Reclassification	Transfer to the Trust Fund
FY 2009 EOY Actuals	3 accounts (16%) \$294K (2%)	4 accounts (50%) \$114K (1%)
FY 2010 EOY Actuals	19 accounts (46%) \$1.4M (5%)	13 accounts (76%) \$458K (18%)